



# STATE OF NORTH CAROLINA

**WAKE TECHNICAL COMMUNITY COLLEGE**

**STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES**

**FOR THE YEAR ENDED JUNE 30, 2012**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**WAKE TECHNICAL COMMUNITY COLLEGE**  
**STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**BOARD OF TRUSTEES**

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**ADMINISTRATIVE OFFICERS**

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**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet  
<http://www.ncauditor.net>

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**AUDITOR'S TRANSMITTAL**

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The Honorable Pat McCrory, Governor  
Members of the North Carolina General Assembly  
Board of Trustees  
Dr. Stephen C. Scott, President  
Wake Technical Community College

As part of our audit of the State of North Carolina's compliance with requirements applicable to its major federal programs, we have completed certain audit procedures at Wake Technical Community College for the year ended June 30, 2012. Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*. We conducted the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

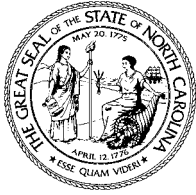
Our audit objective was to render an opinion on the State of North Carolina's, and not the College's, administration of major federal programs. However, the report included herein is in relation to our audit scope at the College and not to the State of North Carolina as a whole. The State Auditor expresses an opinion on the State's compliance with requirements applicable to its major federal programs in the State's *Single Audit Report*.

The audit findings referenced in the report are also evaluated to determine their impact on the State's internal control and the State's compliance with rules, regulations, contracts, and grants. If determined necessary in accordance with *Government Auditing Standards* or the OMB Circular A-133, these findings are reported in the State's *Single Audit Report*.

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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Board of Trustees  
and Management of the Wake Technical Community College

Compliance

As part of our audit of the State of North Carolina's compliance with the types of requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major programs for the year ended June 30, 2012, we have performed audit procedures at Wake Technical Community College. Our report on the State of North Carolina's compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133 is included in the State's *Single Audit Report*. Our federal compliance audit scope at Wake Technical Community College included the following:

- SFAC – Student Financial Assistance Cluster

The audit results described below are in relation to our audit scope at the College and not to the State of North Carolina as a whole.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

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The results of our audit procedures at Wake Technical Community College disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and which are described in the Audit Findings and Responses section of this report.

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we consider the deficiencies described in both findings in the Audit Findings and Responses section of this report to be material weaknesses in internal control over compliance, as defined above.

Management's responses to the findings identified in our audit are included in the Audit Findings and Responses section of this report. We did not audit the responses, and accordingly, we express no opinion on them.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONCLUDED)**

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This report is intended solely for the information and use of management, Wake Technical Community College Board of Trustees, others within the entity, the Governor, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Beth A. Wood*

Beth A. Wood, CPA  
State Auditor

March 5, 2013

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## **AUDIT FINDINGS AND RESPONSES**

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### **Matters Related to Federal Compliance Objectives**

#### **1. INADEQUATE RECONCILIATION OF DIRECT LOANS TO SUPPORTING COLLEGE RECORDS**

The College did not provide evidence to support that loan disbursement data submitted to the Common Origination and Disbursement system was reconciled to the financial aid records. In addition, reconciliation procedures between financial aid records and accounting records were not performed for four months during the audit period. Federal regulations (34 CFR, section 685.102(b)) require the College to reconcile disbursement records monthly.

*Federal Award Information:* CFDA No. 84.268 Federal Direct Loan; July 1, 2011 - June 30, 2012.

*Recommendation:* The College should design and implement effective internal controls to ensure that required monthly reconciliations between direct loan borrower data transmissions and College records are completed timely and documented in accordance with federal compliance requirements.

*Response:* The Financial Aid Office in conjunction with the Accounting Office has developed a standard reconciliation procedure to ensure that monthly reconciliations are completed as mandated by Federal regulations. In the Accounting Office an Accounting Technician initiates the reconciliation process at the end of the month by reconciling the general ledger to the financial aid award report and the monthly cash drawdowns. An excel spreadsheet containing this information is forwarded to the Financial Aid Office. The Associate Financial Aid Director reconciles the financial aid award report to the Common Origination and Disbursement System and the monthly cash drawdowns. This information is then verified by the Dean of Financial Aid and returned to the Accounting Office via an excel spreadsheet. The reconciliation spreadsheet is then reviewed by the Chief Accounting Officer for accuracy and maintained in a binder.

#### **2. STUDENT ENROLLMENT DATA NOT ACCURATELY REPORTED**

The College did not transmit accurate student enrollment data to lenders. Federal regulations (34 CFR, section 682.309(b)) require the College to notify the lender within 30 days of discovery that a recipient of Federal Direct Loan funds has either ceased to be enrolled on at least a half-time basis, failed to enroll, or has changed his or her permanent address, unless the College expects to submit the next student confirmation report within the next 60 days.

We tested a sample of 40 students who received Direct Loan funds and whose enrollment status dropped below half-time. Although the College attempted to report the enrollment data timely to the lenders, it failed to correctly report the data based on misinterpreted



## AUDIT FINDINGS AND RESPONSES (CONCLUDED)

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instructions. The misinterpretation resulted in 35 students with inaccurately reported enrollment statuses which could result in delayed student loan payments.

*Federal Award Information:* CFDA No. 84.268 Federal Direct Loan; July 1, 2011 - June 30, 2012.

*Recommendation:* The College should ensure that accurate enrollment data is submitted to lenders.

*Response:* Transmission of data did occur timely. However, a misinterpretation of instructions resulted in inaccurate reporting through the use of an incorrect census date. The failure to accurately transmit student enrollment data was due to human error specifically a misinterpretation of instructions. Changes in the workflow for submission of accurate student enrollment data via Wake Technical Community College Student Information System have been instituted.

## ORDERING INFORMATION

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647